

TOWNSHIP OF MONTCALM  
Montcalm County, Michigan

FINANCIAL REPORT WITH  
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2008

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Township of Montcalm	County Montcalm
Fiscal Year End March 31, 2008	Opinion Date June 12, 2008	Date Audit Report Submitted to State June 13, 2008	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

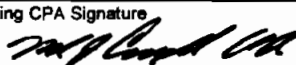
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES ☒ NO ☐ Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>	N/A	
Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.		Telephone Number 989-894-1040	
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686		City Bay City	State MI
Zip 48707			
Authorizing CPA Signature 	Printed Name Mark J. Campbell	License Number 1101007803	

TOWNSHIP OF MONTCALM  
Montcalm County, Michigan

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# CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

June 12, 2008

To the Township Board  
Township of Montcalm  
Montcalm County, Michigan

We have audited the accompanying financial statements of the governmental activities, business-type activities and each major fund of Township of Montcalm, Montcalm County, Michigan as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Montcalm's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities and each major fund of the Township of Montcalm, Montcalm County, Michigan as of March 31, 2008, and the respective changes in financial position and cash flows where applicable, of these activities and funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Campbell, Kusterer & Co., P.C.*  
CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants

TOWNSHIP OF MONTCALM  
Montcalm County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended March 31, 2008

The Management's Discussion and Analysis report of the Township of Montcalm covers the Township's financial performance during the year ended March 31, 2008.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at March 31, 2008, totaled \$1,331,359.67 for governmental activities.

Overall revenues were \$446,568.42.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental and business-type activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Township are reported as governmental activities and business-type activities. These include the General Fund, Fire Fund, Liquor Fund, Building Inspection Fund, Cemetery Operating Fund and the Cemetery Perpetual Care Fund.

TOWNSHIP OF MONTCALM  
Montcalm County, Michigan

**CONDENSED FINANCIAL INFORMATION**  
For the year ended March 31, 2008

	<u>Total</u> <u>Governmental</u> <u>Activities</u> <u>2007</u>	<u>Total</u> <u>Governmental</u> <u>Activities</u> <u>2008</u>
Current Assets	694 157	776 001
Capital Assets	<u>588 787</u>	<u>555 425</u>
Total Assets	<u>1 282 944</u>	<u>1 331 426</u>
Current Liabilities	-	67
Non-current Liabilities	<u>-</u>	<u>-</u>
Total Liabilities	<u>-</u>	<u>67</u>
Net Assets:		
Invested in Capital Assets	588 787	555 425
Restricted	-	68 558
Unrestricted	<u>694 157</u>	<u>707 377</u>
Total Net Assets	<u>1 282 944</u>	<u>1 331 360</u>
	<u>Total</u> <u>Governmental</u> <u>Activities</u> <u>2007</u>	<u>Total</u> <u>Governmental</u> <u>Activities</u> <u>2008</u>
Program Revenues:		
Fees and Charges for Services	67 981	60 042
General Revenues:		
Property Taxes	105 316	111 338
State Revenue Sharing	226 090	227 334
Interest	23 124	29 630
Miscellaneous	<u>39 064</u>	<u>18 225</u>
Total Revenues	<u>461 575</u>	<u>446 569</u>
Program Expenses:		
Legislative	7 836	7 996
General Government	159 092	149 739
Public Safety	147 178	153 034
Public Works	<u>78 056</u>	<u>87 384</u>
Total Expenses	<u>392 162</u>	<u>398 153</u>
Increase in Net Assets	69 413	48 416
Net Assets, April 1	<u>1 213 531</u>	<u>1 282 944</u>
Net Assets, March 31	<u>1 282 944</u>	<u>1 331 360</u>

TOWNSHIP OF MONTCALM  
Montcalm County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended March 31, 2008

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following types of funds:

Governmental Funds: Some of the Township's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Township's governmental funds include the General Fund, Fire Fund, Liquor Fund, Building Inspection Fund, Cemetery Operating Fund, and the Cemetery Perpetual Care Fund.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Our cash position in the governmental activities remains healthy.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for the Township's governmental services. The most significant was highways and streets which incurred expenses of \$87,384.42.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

There was \$0 invested in capital assets.

There is no long-term debt activity at this time.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

State revenue sharing is the main source of financing for the Township. The future of state revenue sharing is very uncertain and may cause difficulties for the Township in the future.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is intended to provide our taxpayers, creditors, investors and customers with a general overview of the Township's finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact the Township at 1880 S. Greenville Road, Greenville, Michigan 48838.

TOWNSHIP OF MONTCALM  
Montcalm County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS

March 31, 2008

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	721 912 04
Taxes receivable	19 887 37
Accounts receivable	<u>34 202 00</u>
Total Current Assets	<u>776 001 41</u>
NON-CURRENT ASSETS:	
Capital Assets	1 014 497 00
Less: Accumulated Depreciation	<u>(459 072 03)</u>
Total Non-current Assets	<u>555 424 97</u>
TOTAL ASSETS	<u><u>1 331 426 38</u></u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES:	
Accounts payable	<u>66 71</u>
Total Current Liabilities	<u>66 71</u>
NON-CURRENT LIABILITIES	<u>-</u>
Total Non-current Liabilities	<u>-</u>
Total Liabilities	<u>66 71</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	555 424 97
Restricted	68 557 56
Unrestricted	<u>707 377 14</u>
Total Net Assets	<u>1 331 359 67</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>1 331 426 38</u></u>

The accompanying notes are an integral part of these financial statements.



TOWNSHIP OF MONTCALM  
Montcalm County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
Year ended March 31, 2008

	<u>Expenses</u>	<u>Program Revenue</u>	<u>Governmental Activities Net (Expense) Revenue and Changes in Net Assets</u>
<b>FUNCTIONS/PROGRAMS</b>			
Governmental Activities:			
Legislative	7 995 73	-	(7 995 73)
General government	149 739 11	48 795 37	(100 943 74)
Public safety	153 033 53	11 247 00	(141 786 53)
Public works	<u>87 384 42</u>	<u>-</u>	<u>(87 384 42)</u>
Total Governmental Activities	<u>398 152 79</u>	<u>60 042 37</u>	<u>(338 110 42)</u>
General Revenues:			
Property taxes			111 338 23
State revenue sharing			227 333 40
Interest			29 629 79
Miscellaneous			<u>18 224 63</u>
Total General Revenues			<u>386 526 05</u>
Change in net assets			48 415 63
Net assets, beginning of year			<u>1 282 944 04</u>
Net Assets, End of Year			<u>1 331 359 67</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF MONTCALM  
Montcalm County, Michigan

**BALANCE SHEET – GOVERNMENTAL FUNDS**

March 31, 2008

	<u>General</u>	<u>Fire</u>	<u>Other Funds</u>	<u>Total</u>
<b><u>Assets</u></b>				
Cash in bank	420 077 00	142 059 66	134 766 99	696 903 65
Taxes receivable	14 162 66	5 724 71	-	19 887 37
Accounts receivable	34 202 00	-	-	34 202 00
Due from other funds	26 013 08	-	-	26 013 08
<b>Total Assets</b>	<b><u>494 454 74</u></b>	<b><u>147 784 37</u></b>	<b><u>134 766 99</u></b>	<b><u>777 006 10</u></b>
<b><u>Liabilities and Fund Equity</u></b>				
<b>Liabilities:</b>				
Accounts payable	-	-	66 71	66 71
Due to other funds	-	1 004 69	-	1 004 69
<b>Total liabilities</b>	<b><u>-</u></b>	<b><u>1 004 69</u></b>	<b><u>66 71</u></b>	<b><u>1 071 40</u></b>
<b>Fund equity:</b>				
Fund balances:				
Reserved	-	-	68 557 56	68 557 56
Unreserved:				
Undesignated	494 454 74	146 779 68	66 142 72	707 377 14
<b>Total fund equity</b>	<b><u>494 454 74</u></b>	<b><u>146 779 68</u></b>	<b><u>134 700 28</u></b>	<b><u>775 934 70</u></b>
<b>Total Liabilities and Fund Equity</b>	<b><u>494 454 74</u></b>	<b><u>147 784 37</u></b>	<b><u>134 766 99</u></b>	<b><u>777 006 10</u></b>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF MONTCALM  
Montcalm County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
March 31, 2008

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	775 934 70
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	1 014 497 00
Accumulated depreciation	<u>(459 072 03)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u><u>1 331 359 67</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF MONTCALM  
Montcalm County, Michigan

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –  
GOVERNMENTAL FUNDS  
Year ended March 31, 2008**

	General	Fire	Other Funds	Total
<b>Revenues:</b>				
Property taxes	72 654 58	38 683 65	-	111 338 23
Licenses and permits	1 935 00	-	-	1 935 00
State revenue sharing	225 831 35	-	1 502 05	227 333 40
Charges for services – PTAF	31 437 97	-	-	31 437 97
Charges for services – Other	1 200 00	-	25 469 40	26 669 40
Interest	22 908 74	2 116 21	4 604 84	29 629 79
Miscellaneous	17 430 20	-	794 43	18 224 63
<b>Total revenues</b>	<b>373 397 84</b>	<b>40 799 86</b>	<b>32 370 72</b>	<b>446 568 42</b>
<b>Expenditures:</b>				
Legislative:				
Township Board	7 995 73	-	-	7 995 73
General government:				
Supervisor	18 349 84	-	-	18 349 84
Elections	1 492 25	-	-	1 492 25
Assessor	23 679 00	-	-	23 679 00
Clerk	18 913 67	-	-	18 913 67
Board of Review	1 588 99	-	-	1 588 99
Treasurer	23 883 51	-	-	23 883 51
Building and grounds	24 466 42	-	-	24 466 42
Cemetery	-	-	21 654 04	21 654 04
Public safety:				
Law enforcement	34 099 92	-	-	34 099 92
Fire protection	57 344 36	-	-	57 344 36
Building inspection	-	-	13 326 46	13 326 46
Planning and zoning	29 014 67	-	-	29 014 67
Liquor control	-	-	1 596 98	1 596 98
Public works:				
Highways and streets	87 384 42	-	-	87 384 42
<b>Total expenditures</b>	<b>328 212 78</b>	<b>-</b>	<b>36 577 48</b>	<b>364 790 26</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>45 185 06</b>	<b>40 799 86</b>	<b>(4 206 76)</b>	<b>81 778 16</b>
<b>Other financing sources (uses):</b>				
Operating transfers in	-	-	8 200 00	8 200 00
Operating transfers out	(8 200 00)	-	-	(8 200 00)
<b>Total other financing sources (uses)</b>	<b>(8 200 00)</b>	<b>-</b>	<b>8 200 00</b>	<b>-</b>
<b>Excess (deficiency) of revenues and other sources over expenditures and other uses</b>	<b>36 985 06</b>	<b>40 799 86</b>	<b>3 993 24</b>	<b>81 778 16</b>
<b>Fund balances, April 1</b>	<b>457 469 68</b>	<b>105 979 82</b>	<b>130 707 04</b>	<b>694 156 54</b>
<b>Fund Balances, March 31</b>	<b>494 454 74</b>	<b>146 779 68</b>	<b>134 700 28</b>	<b>775 934 70</b>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF MONTCALM  
Montcalm County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year ended March 31, 2008

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS 81 778 16

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,  
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(33 362 53)
Capital Outlay	<u>-</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>48 415 63</u></u>
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The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF MONTCALM  
Montcalm County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2008

**Note 1 – Summary of Significant Accounting Policies**

The accounting policies of the Township of Montcalm, Montcalm County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

**Reporting Entity**

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Montcalm. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

**Government-Wide and Fund Financial Statements**

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental and business-type funds are reported as separate columns in the fund financial statements.

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

TOWNSHIP OF MONTCALM  
Montcalm County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2008

Note 1 – Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

The proprietary fund type is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of this fund are included on the balance sheet. Fund equity is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present revenues and expenses in net total assets. The accrual basis of accounting is utilized by the proprietary fund type. Under this basis of accounting revenues are recognized when earned and expenses are recognized when the related liability is incurred.

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Proprietary Fund

Enterprise Fund

The Enterprise Fund reports operations that provide services which are financed primarily by user charges, or activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control or other purposes.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

All purchases of materials are reflected in expenses when paid in all funds.

TOWNSHIP OF MONTCALM  
Montcalm County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2008

Note 1 – Summary of Significant Accounting Policies (continued)

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The 2007 tax roll millage rate was 1.3552 mills, and the taxable value was \$82,199,931.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$1,000.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings and improvements	30-40 years
Furniture and equipment	5-25 years

Compensated Absences (Vacation and Sick Leave)

Township employees are not allowed to accumulate vacation and sick pay and therefore no accumulated amount is recorded in the financial statements.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.



TOWNSHIP OF MONTCALM  
Montcalm County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2008

**Note 2 – Budgets and Budgetary Accounting**

4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

**Note 3 – Deposits and Investments**

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated six financial institutions for the deposit of Township funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>732,892.93</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	422,935.24
Uninsured and Uncollateralized	<u>313,294.27</u>
Total Deposits	<u>736,229.51</u>

The Township did not have any investments as of March 31, 2008.

TOWNSHIP OF MONTCALM  
Montcalm County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2008

**Note 3 – Deposits and Investments (continued)**

**Disclosures Relating to Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Township manages its exposure to interest rate risk is by participating in financial institution pooled funds and in mutual funds which hold diverse investments that are authorized by law for direct investments.

**Concentration of Credit Risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The financial institution pooled funds and the mutual funds do not have a rating provided by a nationally recognized statistical rating organization.

The investment policy of the Township contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by Michigan law.

**Custodial Credit Risk**

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Michigan law and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Michigan law and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investment, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

**Note 4 – Capital Assets**

Capital asset activity of the Township's Governmental and Business-Type activities for the current year was as follows:

	Balance 4/1/07	<u>Additions</u>	<u>Deletions</u>	Balance 3/31/08
<b><u>Governmental Activities:</u></b>				
Land and improvements	14 000 00	-	-	14 000 00
Buildings and improvements	603 108 00	-	-	603 108 00
Equipment	397 389 00	-	-	397 389 00
<b>Total</b>	<b>1 014 497 00</b>	<b>-</b>	<b>-</b>	<b>1 014 497 00</b>
Accumulated Depreciation	(425 709 50)	(33 362 53)	-	(459 072 03)
<b>Net Governmental Capital Assets</b>	<b>588 787 50</b>	<b>(33 362 53)</b>	<b>-</b>	<b>555 424 97</b>

TOWNSHIP OF MONTCALM  
Montcalm County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2008

**Note 5 – Deferred Compensation Plan**

The Township does not have a deferred compensation plan.

**Note 6 – Pension Plan**

The Township does not have a pension plan.

**Note 7 – Risk Management**

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

**Note 8 – Building Permits**

As of March 31, 2008, the Township had building permit revenues of \$9,312.00 and building permit expenses of \$13,326.46.

**Note 9 – Interfund Receivables and Payables**

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
Current Tax Collection	1 004 69	Fire	1 004 69
General	<u>26 013 08</u>	Current Tax Collection	<u>26 013 08</u>
Total	<u>27 017 77</u>	Total	<u>27 017 77</u>

**Note 10 – Interfund Transfers**

The amounts of interfund transfers are as follows:

<u>Fund</u>	<u>Transfer In</u>	<u>Fund</u>	<u>Transfer Out</u>
Cemetery Operating	<u>8 200 00</u>	General	<u>8 200 00</u>
Total	<u>8 200 00</u>	Total	<u>8 200 00</u>

TOWNSHIP OF MONTCALM  
Montcalm County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND  
Year ended March 31, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	70 000 00	70 000 00	72 654 58	2 654 58
Licenses and permits	2 000 00	2 000 00	1 935 00	(65 00)
State revenue sharing	225 000 00	225 000 00	225 831 35	831 35
Charges for services:				
PTAF	25 000 00	25 000 00	31 437 97	6 437 97
Other	3 000 00	3 000 00	1 200 00	(1 800 00)
Interest	10 000 00	10 000 00	22 908 74	12 908 74
Miscellaneous	5 000 00	5 000 00	17 430 20	12 430 20
Total revenues	<u>340 000 00</u>	<u>340 000 00</u>	<u>373 397 84</u>	<u>33 397 84</u>
Expenditures:				
Legislative:				
Township Board	8 000 00	8 000 00	7 995 73	(4 27)
General government:				
Supervisor	20 000 00	18 350 00	18 349 84	(16)
Elections	1 500 00	1 500 00	1 492 25	(7 75)
Assessor	23 000 00	23 680 00	23 679 00	(1 00)
Clerk	19 000 00	19 000 00	18 913 67	(86 33)
Board of Review	3 000 00	1 600 00	1 588 99	(11 01)
Treasurer	26 000 00	24 000 00	23 883 51	(116 49)
Building and grounds	23 500 00	24 470 00	24 466 42	(3 58)
Public safety:				
Law enforcement	34 100 00	34 100 00	34 099 92	(08)
Fire protection	50 000 00	57 350 00	57 344 36	(5 64)
Planning and zoning	17 500 00	29 020 00	29 014 67	(5 33)
Public works:				
Highways and streets	85 000 00	87 390 00	87 384 42	(5 58)
Culture and recreation:				
Parks and recreation	1 500 00	1 500 00	-	(1 500 00)
Contingency	17 000 00	7 140 00	-	(7 140 00)
Total expenditures	<u>329 100 00</u>	<u>337 100 00</u>	<u>328 212 78</u>	<u>(8 887 22)</u>
Excess (deficiency) of revenues over expenditures	<u>10 900 00</u>	<u>2 900 00</u>	<u>45 185 06</u>	<u>42 285 06</u>
Other financing sources (uses):				
Operating transfers out	-	-	(8 200 00)	(8 200 00)
Total other financing sources (uses):	<u>-</u>	<u>-</u>	<u>(8 200 00)</u>	<u>(8 200 00)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>10 900 00</u>	<u>2 900 00</u>	<u>36 985 06</u>	<u>34 085 06</u>
Fund balance, April 1	<u>450 000 00</u>	<u>450 000 00</u>	<u>457 469 68</u>	<u>7 469 68</u>
Fund Balance, March 31	<u>460 900 00</u>	<u>452 900 00</u>	<u>494 454 74</u>	<u>41 554 74</u>

TOWNSHIP OF MONTCALM  
Montcalm County, Michigan

BUDGETARY COMPARISON SCHEDULE – FIRE FUND  
Year ended March 31, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	39 000 00	39 000 00	38 683 65	(316 35)
Interest	-	-	2 116 21	2 116 21
Total revenues	<u>39 000 00</u>	<u>39 000 00</u>	<u>40 799 86</u>	<u>1 799 86</u>
Expenditures:				
Safety:				
Fire protection	<u>39 000 00</u>	<u>39 000 00</u>	<u>-</u>	<u>(39 000 00)</u>
Total expenditures	<u>39 000 00</u>	<u>39 000 00</u>	<u>-</u>	<u>(39 000 00)</u>
Excess (deficiency) of revenues over expenditures	-	-	40 799 86	40 799 86
Fund balance, April 1	<u>-</u>	<u>-</u>	<u>105 979 82</u>	<u>105 979 82</u>
Fund Balance, March 31	<u>-</u>	<u>-</u>	<u>146 779 68</u>	<u>146 779 68</u>

TOWNSHIP OF MONTCALM  
Montcalm County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT

Year ended March 31, 2008

Township Board:	
Salaries	2 800 00
Payroll taxes	221 12
Professional services	1 800 00
Printing and publishing	614 14
Insurance	682 35
Miscellaneous	<u>1 878 12</u>
	<u>7 995 73</u>
Supervisor:	
Salary	13 887 00
Payroll taxes	1 045 25
Supplies	1 356 95
Insurance	379 87
Miscellaneous	<u>1 680 77</u>
	<u>18 349 84</u>
Elections:	
Wages	1 121 00
Supplies	247 05
Miscellaneous	<u>124 20</u>
	<u>1 492 25</u>
Assessor:	
Contracted services	<u>23 679 00</u>
Clerk:	
Salary	15 097 00
Payroll taxes	1 163 66
Supplies	514 47
Insurance	379 87
Miscellaneous	<u>1 758 67</u>
	<u>18 913 67</u>
Board of Review:	
Wages	760 00
Payroll taxes	21 42
Supplies	467 57
Insurance	<u>340 00</u>
	<u>1 588 99</u>
Treasurer:	
Salary	18 441 01
Payroll taxes	1 376 70
Supplies	2 781 51
Insurance	379 86
Miscellaneous	<u>904 43</u>
	<u>23 883 51</u>
Building and grounds:	
Salary	1 831 50
Payroll taxes	142 13
Supplies	1 725 82
Contracted services	10 882 90
Telephone	2 274 44
Utilities	4 710 26
Insurance	2 067 81
Miscellaneous	<u>831 56</u>
	<u>24 466 42</u>

TOWNSHIP OF MONTCALM  
Montcalm County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT

Year ended March 31, 2008

Law enforcement	<u>34 099 92</u>
Fire protection:	
Wages	28 594 10
Payroll taxes	2 182 45
Supplies	6 620 26
Repairs and maintenance	6 267 05
Telephones	531 86
Utilities	3 743 45
Insurance	8 325 24
Miscellaneous	<u>1 079 95</u>
	<u>57 344 36</u>
Planning and zoning:	
Wages	9 792 00
Payroll taxes	751 23
Supplies	1 094 45
Professional services	15 946 59
Miscellaneous	<u>1 430 40</u>
	<u>29 014 67</u>
Highways and streets	<u>87 384 42</u>
Total Expenditures	<u><u>328 212 78</u></u>

TOWNSHIP OF MONTCALM  
Montcalm County, Michigan

**COMBINING BALANCE SHEET – ALL NONMAJOR FUNDS**  
March 31, 2008

	<u>Cemetery Perpetual Care</u>	<u>Liquor</u>	<u>Building Inspection</u>	<u>Cemetery Operating</u>
<b><u>Assets</u></b>				
Cash in bank	68 557 56	675 90	17 506 23	48 027 30
Total Assets	<u>68 557 56</u>	<u>675 90</u>	<u>17 506 23</u>	<u>48 027 30</u>
<b><u>Liabilities and Fund Equity</u></b>				
Liabilities:				
Accounts payable	-	15 23	51 48	-
Total liabilities	<u>-</u>	<u>15 23</u>	<u>51 48</u>	<u>-</u>
Fund equity:				
Fund balances:				
Reserved	68 557 56	-	-	-
Unreserved:				
Undesignated	-	660 67	17 454 75	48 027 30
Total fund equity	<u>68 557 56</u>	<u>660 67</u>	<u>17 454 75</u>	<u>48 027 30</u>
Total Liabilities and Fund Equity	<u>68 557 56</u>	<u>675 90</u>	<u>17 506 23</u>	<u>48 027 30</u>



Total

134 766 99

134 766 99

66 71

66 71

68 557 56

66 142 72

134 700 28

134 766 99

TOWNSHIP OF MONTCALM  
Montcalm County, Michigan

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES – ALL NONMAJOR FUNDS**  
Year ended March 31, 2008

	<u>Cemetery Perpetual Care</u>	<u>Liquor</u>	<u>Building Inspection</u>	<u>Cemetery Operating</u>
Revenues:				
State revenue sharing	-	1 502 05	-	-
Charges for service	-	-	9 312 00	16 157 40
Interest	25 83	28 78	667 13	3 883 10
Miscellaneous	-	-	-	794 43
Total revenues	<u>25 83</u>	<u>1 530 83</u>	<u>9 979 13</u>	<u>20 834 93</u>
Expenditures:				
General government:				
Cemetery	-	-	-	21 654 04
Public safety:				
Building inspection	-	-	13 326 46	-
Liquor control	-	1 596 98	-	-
Total expenditures	<u>-</u>	<u>1 596 98</u>	<u>13 326 46</u>	<u>21 654 04</u>
Excess (deficiency) of revenues over expenditures	<u>25 83</u>	<u>(66 15)</u>	<u>(3 347 33)</u>	<u>(819 11)</u>
Other financing sources (uses):				
Operating transfers in	-	-	-	8 200 00
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>8 200 00</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	25 83	(66 15)	(3 347 33)	7 380 89
Fund balances, April 1	<u>68 531 73</u>	<u>726 82</u>	<u>20 802 08</u>	<u>40 646 41</u>
Fund Balances, March 31	<u><u>68 557 56</u></u>	<u><u>660 67</u></u>	<u><u>17 454 75</u></u>	<u><u>48 027 30</u></u>

Total

1 502 05

25 469 40

4 604 84

794 43

32 370 72

21 654 04

13 326 46

1 596 98

36 577 48

(4 206 76)

8 200 00

8 200 00

3 993 24

130 707 04

134 700 28

TOWNSHIP OF MONTCALM  
Montcalm County, Michigan

CURRENT TAX COLLECTION FUND  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
Year ended March 31, 2008

	<u>Balance</u> <u>4/1/07</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/08</u>
<u>Assets</u>				
Cash in Bank	<u>46 746 57</u>	<u>2 478 357 05</u>	<u>2 489 114 34</u>	<u>35 989 28</u>
<u>Liabilities</u>				
Due to other funds	43 566 21	141 262 36	159 820 18	25 008 39
Due to other units	<u>3 180 36</u>	<u>2 337 094 69</u>	<u>2 329 294 16</u>	<u>10 980 89</u>
Total Liabilities	<u>46 746 57</u>	<u>2 478 357 05</u>	<u>2 489 114 34</u>	<u>35 989 28</u>

# **CAMPBELL, KUSTERER & CO., P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

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## **AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS**

June 12, 2008

To the Township Board  
Township of Montcalm  
Montcalm County, Michigan

We have audited the financial statements of the Township of Montcalm for the year ended March 31, 2008. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

### **AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES**

We conducted our audit of the financial statements of the Township of Montcalm in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board  
Township of Montcalm  
Montcalm County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

### **SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies are described in Note 1 to the financial statements.

### **OTHER COMMUNICATIONS**

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available for review.

### **COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY**

Our procedures disclosed the following conditions that we would like to bring to your attention:

#### **SEGREGATION OF DUTIES**

The Township's system of internal control is affected by the size of staff that it can employ.

The ultimate accounting system would include enough employees to completely segregate all aspects of each transaction. Different departments or individuals would handle: transaction authorization, transaction execution, asset handling, recording of transactions, review of transactions and subsequent control of assets.

The Township cannot enact a complete segregation of all aspects of each transaction due to the nature of local units of government. The "cost to benefit" relationship also would not justify a complete segregation of all duties.

We recommend that the Township Board Members understand these circumstances when performing their oversight responsibilities.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2008.

### **SUMMARY**

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

*Campbell, Kusterer & Co., P.C.*  
CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants